

Report to:	Public Board of Directors	Agenda item:	15
Date of Meeting:	29 July 2020		

Title of Report:	Finance Board Report
Status:	Approval
Board Sponsor:	Simon Wade, Interim Director of Finance
Author:	Sarah Wisher-Davies, Interim Head of Financial Management
Appendices	Appendix 1: Control Total Performance Appendix 2: Graphs Appendix 3: Capital Expenditure Appendix 4: Statement of Financial Position Appendix 5: Cash

1.	Executive Summary of the Report
<p>The purpose of this report is to set out the Trust's financial performance for the period to 30 June 2020.</p> <p>In light of the COVID-19 pandemic, from the 1 April 2020 a new block funding approach has been adopted for the first four months of the year. The payments made to the Trust are based on previous expenditure run rates to maintain cash flow through the system to allow providers to continue to deliver essential services during the critical incident.</p> <p>As illustrated in Appendix 1 the financial position against the NHS E/I block plan shows a breakeven position with the inclusion of an additional £1.69 million retrospective top up, £807,000 relating to Month 3. The £462,000 top up submitted to the "true up" process for Month 1 was paid to the Trust in Month 3.</p>	

2.	Recommendations (Note, Approve, Discuss)
The Board should note the financial position at 30 June 2020. Action: All	

3.	Legal / Regulatory Implications
Not achieving financial duties will impact on the ability for the Trust to secure the economy, efficiency and effectiveness in its use of resources.	

4.	Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc)
<p>In line with the Risk Assessment Framework :</p> <p>The Trust fails to deliver its financial plan which leads to the Trust having a Single Oversight Framework rating of three or higher, representing a material level of financial risk. This results in a lack of confidence from the Trust's commissioners and the regulator and increases the level of scrutiny which utilises significant resources and can damage the reputation of the Trust. Failure to deliver the financial plan results in a loss of surplus which the Trust is dependent upon for the Trust's Estate Redevelopment Programme.</p>	

5.	Resources Implications (Financial / staffing)
Not Applicable	
6.	Equality and Diversity
Not Applicable	
7.	References to previous reports
Standing Item	
8.	Freedom of Information
Private	

Finance Report for the Period Ending the 30 June 2020

1.0 Executive Summary

The purpose of this report is to set out the Trust's financial performance for the period to 30 June 2020.

Funding for the Trust from August 2020 remains unclear as NHS E/I are yet to release any guidance. It is anticipated that there will be a requirement to submit a revised performance and finance plan for 2020/21 which may inform the longer term funding arrangements for this financial year.

As illustrated in Appendix 1 the financial position against the NHS E/I block plan shows a breakeven position with the inclusion of an additional £1.69 million retrospective top up, £807,000 relating to Month 3. The £462,000 top up submitted to the "true up" process for Month 1 was paid to the Trust in Month 3.

2.0 Key Financial Indicators

The key financial indicators for the year to date are illustrated in the table below:

	Month 3 2020/21 Summary		
	YTD Plan £000's	YTD Actual £000's	YTD Variance £000's
Net Surplus/ (Loss)	0	(164)	(164)
Adjusted Surplus/(Loss)	0	0	0
Pay costs	(57,960)	(61,197)	(3,237)
Non Pay costs	(31,597)	(27,711)	3,886
Cash balance	13,512	38,258	24,746
Capital Expenditure	5,834	5,889	55

3.0 Activity and Income

Normal contracting arrangements have been replaced by the COVID-19 financial regime implemented centrally. However, activity is still being captured and recorded, to give a clearer understanding of the changes in activity across specialties resulting from current ways of working.

Although overall activity was down by a third compared to plan, activity levels are showing an improving trend as specialties continue to work on bringing services back on line.

4.0 COVID-19 Expenditure

The financial position was reported as breakeven as per guidance under the current funding regime. Before the adjustment for the retrospective top up the Trust was £1.69 million over the block budget set by NHS E/I, £807,000 in month.

The financial position includes £3.61 million of costs reported as COVID-19 of which £2.52 million are pay costs (£1.16 million in Month 3). The costs in month show a significant increase compared to the first 2 months. The biggest driver of this increase resulted from the improved identification of COVID-19 related agency and substantive nursing pay costs, particularly within the Medicine Division (£571,000 in Month 3, £963,000 year to date).

£1.09 million of non-pay costs relating to COVID-19 are also in the position. Costs for June were broadly in line with those in April and May.

5.0 Other Expenditure

At the end of June pay costs are £720,000 higher than that anticipated under the NHS E/I block plan excluding COVID-19 related pay. This relates to the pay award applied in April for Agenda for Change staff and Junior Doctors which continues to be a cost pressure. This is now estimated to be £841,000 more than the value that will be covered by the block plan due to the actual cost for the Trust being greater than that funded centrally. This is partly off-set by £206,000 underspends where there are vacancies and overtime and bank within the Divisions where beds are closed and services were scaled back.

Non-pay expenditure is £2.86 million below plan including High Cost Drugs and excluding COVID-19 non-pay costs. Costs this month were higher than those seen in the first two months of the year, resulting in an increase in the value of retrospective top up requested. This is driven by a £480,000 increase in spend on drugs in Oncology, Rheumatology (homecare) and Ophthalmology in June, driven by increases in outpatient activity. However, drugs continue to be underspent over all, £1.80 million under plan year to date.

Prosthesis, pacemakers and other surgical consumables continue to be underspent due to the fall in activity, these totalled £2.02 million less than that anticipated under the NHS E/I block plan.

6.0 Capital

The capital spend position at the end of June was £5.89 million, which is £55,000 above the plan.

Spend to date includes £4.16 million of capital purchases for COVID-19 schemes. Applications for funding the costs expected for COVID-19 schemes have been made. The claims total £4.74 million for this year (of which £1.98 million relates to Pierce ITU), and £1.07 million for cost incurred in the last financial year.

Funding of £470,000 for costs incurred in last year has been agreed and will be paid to the trust in July. This excludes £600,000 costs last year for Pierce ITU for which approval of funding is yet to be agreed.

Any further COVID-19 related capital expenditure will require prior approval from NHS E/I before the Trust can place the order.

Author: Sarah Wisner-Davies, Interim Head of Financial Management Document Approved by: Simon Wade, Interim Director of Finance Agenda Item: 23	Date: 23 July 2020 Version: 1 Page 4 of 5
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The sources of funding for the Capital programme includes the request for early drawdown of £5.13 million of HIP2 funding (PDC) for the Cancer Centre which, along with the business case, is pending approval by NHS E/I.

A further analysis of the capital position can be found in Appendix 3.

7.0 Statement of Financial Position

The movements on the Statement of Financial Position have been compared to the closing Month 12 2019/20 position. There have been significant changes in the funding streams from commissioners with income being paid a month in advance in April 2020, which has contributed in an increase in the cash balance to £36.46 million.

At Month 3 the increase in the value of non-current assets, which are the buildings and equipment within the Trust, was £2.54 million, this reflects the total spend of £5.89 million less depreciation charged to date. This is in line with capital expenditure described in section 6.0.

Current receivables have decreased by £1.74 million. This reflects a decrease of £2.63 million and relates to reduced invoicing of NHS bodies in line with the new funding arrangements. This is offset by increases in pre-paid expenditure relating to various contracts and accrued income for COVID-19.

Trade payables have decreased by £2.9 million. This is due to an increased accrual for public dividend capital due in September 2020 offset by a decrease in invoices outstanding, due to earlier payments made following the implementation of 7 day payment terms from 30 days as per NHSE/I guidance.

Other liabilities show a high value which relates to increased deferred income required to offset the early payment of commissioning income referred to above.

The full Statement of Financial Position is shown in Appendix 4.

8.0 Summary and recommendations

The position at the end of the period year shows breakeven following adjustments for the retrospective top up now totalling £1.69 million, £807,000 of which relates to Month 3.

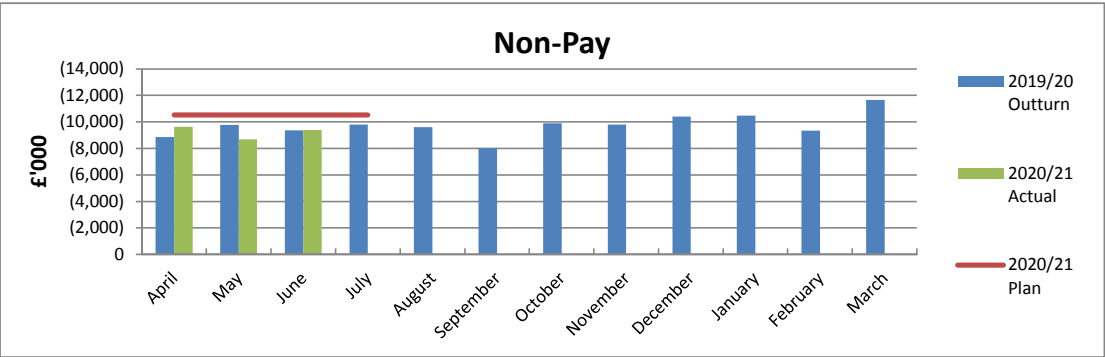
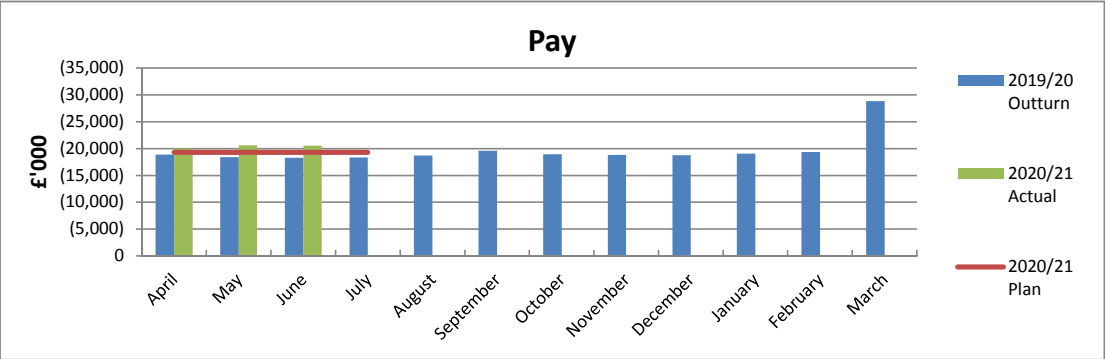
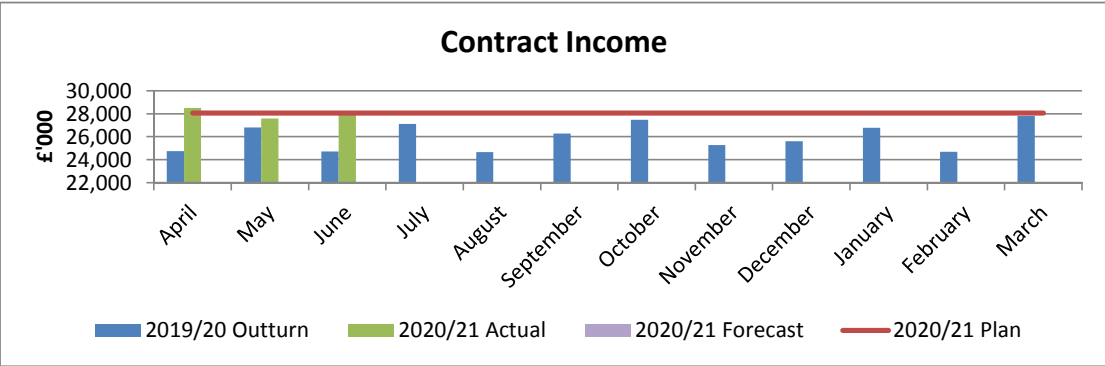
Trust Board are asked to note the financial position which is in line with guidance issued by NHS E/I.

Finance Report

APPENDIX 1 - FINANCIAL PERFORMANCE

	Plan £'000	Year to date Actual £'000	Variance £'000
Contract Income	82,935	81,938	(997)
Operating Income	11,383	11,891	508
Pay	(57,960)	(61,197)	(3,237)
Non Pay	(31,607)	(27,711)	3,896
EBITDA	4,751	4,921	170
Interest payable/receivable	(24)	(99)	(75)
Depreciation	(3,153)	(3,344)	(191)
PDC	(1,584)	(1,645)	(61)
Net Surplus/(Deficit)	(10)	(166)	(156)
Donated Asset income	0	(26)	(26)
Donated Asset depreciation	0	192	192
Reporting Surplus/(Deficit)	(10)	(0)	10

APPENDIX 2 - KEY PERFORMANCE GRAPHS



APPENDIX 3 - CAPITAL PROGRAMME EXPENDITURE

	Year to date			Forecast		
	Plan	Actual	Variance	Plan	Actual	Variance
Source of Funds	£000s	£000s	£000s	£000s	£000s	£000s
Depreciation	3,344	3,344	0	13,681	13,681	0
Loan Repayments	(984)	(984)	(0)	(2,958)	(2,958)	0
Lease Repayments	(120)	(120)	(0)	(483)	(483)	0
Charitable Funds	300	9	(291)	3,547	3,547	0
Donations	75	19	(56)	300	300	0
PDC	3,219	0	(3,219)	12,131	13,393	1,262
Cash Reserves/Other	0	3,621	3,621	0	0	0
	5,834	5,889	55	26,218	27,480	1,262
Application of Funds						
Medical Equipment (donated)	75	25	(50)	540	540	0
Cancer Centre & Other redevelopment (donated)	0	3	3	3,307	3,307	0
Ward & Theatre upgrades	28	285	257	450	975	525
Other Estates projects	354	326	(28)	3,514	3,268	(246)
Clinical Systems	175	92	(84)	1,605	1,605	0
Other IM&T	365	313	(52)	1,738	1,738	0
Medical Equipment	317	158	(158)	2,093	2,093	0
Cancer Centre & RUH N Decant	862	350	(512)	5,135	5,135	0
Other Redevelopment works	354	157	(197)	840	561	(279)
Health Infrastructure Plan (HIP2)	351	11	(340)	3,510	3,510	0
COVID-19 Schemes	2,953	4,169	1,215	3,486	4,749	1,262
	5,834	5,889	55	26,218	27,480	1,262

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APPENDIX 4 - STATEMENT OF FINANCIAL POSITION

	<u>3st March 2020</u>	<u>Year to date Actual £'000</u>	<u>Variance £'000</u>
Non current assets			
Intangible assets	9,447	8,995	(452)
Property, Plant & Equipment	206,211	209,206	2,995
Trade and other receivables	1,567	1,686	119
Non current assets total	217,225	219,887	2,662
Current Assets			
Inventories	4,249	4,200	(49)
Trade and other receivables	22,566	20,830	(1,736)
Cash and cash equivalents	13,512	36,458	22,946
Current Assets total	40,327	61,488	21,161
Current Liabilities			
Trade and other payables	(30,745)	(27,785)	2,960
Other liabilities	(5,270)	(33,360)	(28,090)
Provisions	(213)	(239)	(26)
Borrowings	(3,499)	(3,442)	57
Current Liabilities total	(39,727)	(64,826)	(25,099)
Total assets less current liabilities	217,825	216,549	(1,276)
Non current liabilities			
Provisions	(1,092)	(1,092)	0
Borrowings	(10,924)	(9,819)	1,105
TOTAL ASSETS EMPLOYED	205,809	205,638	(171)
Financed by:			
Public Dividend Capital	161,212	161,211	(1)
Income and Expenditure Reserve	4,247	4,077	(170)
Revaluation reserve	40,350	40,350	0
Total Equity	205,809	205,638	(171)

Finance Report

APPENDIX 5- STATEMENT OF CASHFLOWS

	Year to Date Actual £'000
Operating Surplus/(deficit)	1,577
Depreciation & Amortisation	3,344
Working Capital movement	27,661
Provisions	26
Cashflow from/(used in) operations	32,608
Capital Expenditure	(8,493)
Cash receipts from asset sales	0
Cashflow before financing	(8,493)
Public dividend capital received	0
Movement in loans from the DHSC	(983)
Capital element of finance lease rental payments	(86)
Interest received	5
Interest paid	(96)
Interest element of finance lease	(9)
PDC dividend (paid)/refunded	0
Net cash generated from/(used in) financing activities	(1,169)
Increase/(decrease) in cash and cash equivalents	22,946
Opening Cash balance	13,512
Closing cash balance	36,458

